DAVID L. OSIAS (BAR NO. 091287)
ALLEN MATKINS LECK GAMBLE MALLORY & NATSIS LLP
501 West Broadway, 15th Floor
San Diego, California 92101-3541
Phone: (619) 233-1155
Fax: (619) 233-1158
E-Mail: dosias@allenmatkins.com

JOSHUA A. DEL CASTILLO (BAR NO. 239015)
ALLEN MATKINS LECK GAMBLE MALLORY & NATSIS LLP
515 South Figueroa Street, Ninth Floor
Los Angeles, California 90071-3309
Phone: (213) 622-5555
Fax: (213) 620-8816
E-Mail: jdelcastillo@allenmatkins.com

Attorneys for Receiver
Stephen J. Donell

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

PLUS MONEY, INC. and MATTHEW LA MADRID,

Defendants,

THE PREMIUM RETURN FUND LIMITED-LIABILITY LIMITED PARTNERSHIP, ET AL.,

Relief Defendants.

Case No. 3:08cv-0764 BEN (NLS)

FIRST INTERIM REPORT OF RECEIVER, STEPHEN J. DONELL, AND PETITION FOR INSTRUCTIONS

[Supporting declarations of James T. Schaefer, Sergio D. Kopelev, and Joshua A. del Castillo filed concurrently herewith]

TABLE OF CONTENTS

Page

I. PROCEDURAL BACKGROUND 2

II. SUMMARY OF RECEIVER'S ACTIVITIES AND EFFORTS 2

A. Assertion of Jurisdiction 2

B. Employment Of Professionals 3

C. Document Recovery 3

1. Documents Obtained From the FBI 3

2. Computers Obtained From the FBI 4

3. Documents Obtained From the Commission 4

4. Documents Obtained From LaMadrid 4

5. Documents Obtained From Gaines & Welsh Financial Services 5

6. Receivership Entity Mail Recovery 5

III. INVENTORY OF RECEIVERSHIP ASSETS 6

A. Frozen Bank Accounts 6

B. Assets of the Individual Defendants 7

C. Prospective Recovery of $10 Million In Assets From Palladium and Lopez 7

IV. FINANCES AND BUSINESS OPERATIONS OF THE RECEIVERSHIP ENTITIES 8

A. Receivership Entity Business 8

B. Document Review and Analysis 9

C. Initial Impressions of the Business of the Receivership Entities 10

V. PENDING LITIGATION AND RELATED PROCEEDINGS 11

VI. INDIVIDUALS AND ENTITIES OF INTEREST 11

VII. CREDITORS AND CLAIM AMOUNTS 16

VIII. RECOMMENDED FURTHER INVESTIGATION AND ACTIVITIES 16

A. Continue Document Recovery Efforts 17

B. Continue Receivership Asset Recovery Efforts 17

Page

C. Maintain and Expand Lists of Individuals and Entities of Interest 18

IX. CONCLUSION 18

Stephen J. Donell, the court-appointed Permanent Receiver (the "Receiver") for Defendant Plus Money, Inc. and Relief Defendants The Premium Return Fund Limited-Liability Limited Partnership, The Premium Return Fund II Limited-Liability Limited Partnership, The Premium Return Fund III Limited-Liability Limited Partnership, Return Fund, LLC, Return Fund II, LLC, Return Fund III, LLC, Return Fund IV, LLC, Return Fund V, LLC, Return Fund VI, LLC, and their subsidiaries and affiliates (collectively with Plus Money, Inc., the "Receivership Entities"), appointed pursuant to this Court's Preliminary Injunction and Order: (1) Freezing Assets; (2) Appointing a Permanent Receiver; (3) Requiring Accountings; and (4) Prohibiting the Destruction of Documents (the "Appointment Order"), entered on May 16, 2008, hereby submits this First Interim Report of Receiver and Petition for Instructions (the "Report") pursuant to Local Rule 66.1(e) and the Order in Aid of Receivership entered on June 11, 2008.

Pursuant to the Appointment Order and law governing federal equity receivers, the Receiver has been charged with, among other things, assuming control over the Receivership Entities and their assets ("Receivership Assets"); performing an accounting of the assets and financial condition of the Receivership Entities; investigating, locating, and recovering Receivership Assets; preparing reports for the Court; and preparing an appropriate claim allowance and investor/creditor distribution plan. Although the Receiver has successfully obtained documents and records from the sources identified below, his document analysis and recovery efforts remain incomplete. As described more thoroughly in this Report and in the Initial Forensic Accountant's Report filed concurrently (see Declaration of James T. Schaefer [hereinafter "Schaefer Decl."] ¶ 2, Ex. A), the documents and records obtained to date provide only a partial explanation of the past and present financial condition of the Receivership Entities, including the financial transactions and business in which they engaged.

Due to the volume and nature of the information acquired to date, the shortness of time between the receipt of information and this Report, the complexity of the matters analyzed by the Receiver and his professionals, and the need for significant additional information, this Report is preliminary. The Receiver may need to materially modify its contents after further investigation and consideration. As discussed below, although the Receiver and his professionals have made significant progress in their investigation and recovery efforts, a great deal of work remains to be done.

I. PROCEDURAL BACKGROUND.

On April 28, 2008, the United States Securities and Exchange Commission (the "Commission") filed its Complaint For Violation of Federal Securities Laws (the "SEC Complaint") against Defendants Matthew LaMadrid ("LaMadrid") and Plus Money, Inc., and various Relief Defendants, accompanied by an *Ex Parte* Application of Plaintiff Securities and Exchange Commission for Temporary Restraining Order: Orders: 1) Freezing Assets; 2) Requiring Accounting; 3) Prohibiting the Destruction of Documents; 4) Expediting Discovery; 5) Appointing a Temporary Receiver; and Order to Show Cause re Preliminary Injunction and Appointment of a Permanent Receiver. On April 30, 2008, this Court issued a Temporary Restraining Order freezing assets and prohibiting the destruction of documents by the Defendants and Relief Defendants, and issued an Order to Show Cause set for May 14, 2008. The Court entered the Appointment Order on May 16, 2008, with the consent of the Defendants and Relief Defendants.

On July 7, 2008, LaMadrid filed a Motion to Stay Civil Proceedings Pending Resolution of Criminal Action (the "Stay Motion"), seeking to stay the case based upon his claim that a possible criminal indictment against him, stemming from the same conduct underlying the SEC Complaint, warranted a stay. The Receiver and the Commission filed separate Oppositions to the Stay Motion on July 25, 2008. The Stay Motion will be heard on August 11, 2008.

II. SUMMARY OF RECEIVER'S ACTIVITIES AND EFFORTS.

A. Assertion of Jurisdiction.

The territorial jurisdiction of this Court – and thus of the Receiver – is extended to any district of the United States where Receivership Assets are believed to be located. 28 U.S.C. § 754; see also Haile v. Henderson Nat'l Bank, 657 F.2d 816, 822 (6th Cir. 1981). Based on information obtained by the Receiver to date, the Receiver has filed the SEC Complaint and registered the SEC Complaint and Appointment Order in United States District Courts in Colorado, Pennsylvania, and Wyoming, in conformity with 28 U.S.C. § 754 and applicable federal law. As additional information becomes available, the Receiver may file/register the SEC Complaint and Appointment Order in other districts.

B. Employment Of Professionals.

Section VI(G) of the Appointment Order vests the Receiver with the authority to employ professionals to assist in his efforts. To date, the Receiver has engaged (i) the law firm of Allen Matkins Leck Gamble Mallory & Natsis, LLP to serve as Receiver's counsel and assist in the performance of his duties; (ii) James T. Schaefer, CPA, to serve as the Receiver's principal forensic and tax accountant; (iii) the firm of LECG, LLC to assist with computer forensics and imaging; and (iv) Document Technologies, Inc., a service utilized to scan and produce searchable PDFs of files in the possession of the Federal Bureau of Investigation (the "FBI"). The Receiver anticipates that it may be necessary to utilize the services of a private investigator in order to assist with further discovery and recovery of Receivership Assets.

C. Document Recovery.

As of the date of the Appointment Order, none of the Receivership Entities operated a physical office, and the Receiver has not discovered any single, complete repository of the business documents and records relating to the Receivership Entities. As a consequence, the Receiver has been required to obtain documents and records from a variety of sources, including, but not limited to the following:

1. Documents Obtained From the FBI.

Shortly after his appointment, the Receiver and his professionals contacted the FBI and the Assistant United States Attorney's Office in order to obtain copies of Receivership Entity documents gathered by the FBI in connection with search warrants executed prior to the entry of the Appointment Order. The FBI has specialized procedures for releasing or allowing for the duplication of documents in its possession, arising from chain of custody and security concerns. The Receiver negotiated a procedure whereby the Receiver was allowed to access and duplicate certain Receivership Entity documents in the possession of the FBI. To date, a total of approximately 3,000 pages have been recovered, largely consisting of partial bank and brokerage statements and related documents.

2. Computers Obtained From the FBI.

The Receiver also requested the turnover (after the FBI's review and imaging were complete) of computers and computer components obtained by the FBI. On June 19, 2008, the computers were transferred to the custody of the Receiver's computer forensic specialist, LECG, who imaged the computers to assist in the Receiver's investigation. (See Declaration of Sergio Kopelev (hereinafter "Kopelev Decl.) ¶¶ 4-6.) The computers were then transferred to the Receiver's forensic accountant for further review and analysis; LECG has retained the images of the hard drives it created.

3. Documents Obtained From the Commission.

On May 20, 2008, the Receiver formally requested access to any Receivership Entity documents and records possessed by the Commission. (See Declaration of Joshua A. del Castillo (hereinafter "del Castillo Decl.") ¶ 2, Ex. A.) The Receiver's access request was subsequently granted on May 27, 2008. (del Castillo Decl. ¶ 3, Ex, B.). The Commission produced copies of Receivership Entity documents to the Receiver shortly thereafter. The Commission's production was voluminous, and included partial bank and brokerage statements and related documents.

4. Documents Obtained From LaMadrid.

The Receiver requested from LaMadrid the originals of all Receivership Entity documents or records in his possession or under his control. (del Castillo Decl. ¶ 4, Ex. C.) In response, LaMadrid, through his counsel, Joseph Casas, produced electronic copies of documents previously produced in a pending state court case[1]. Subsequent requests for additional documents were met with the response that LaMadrid had produced all Receivership Entity documents in his possession. (del Castillo Decl. ¶ 5, Ex. D.) Notably, as of this date, LaMadrid has not delivered originals of any of the produced documents to the Receiver.

LaMadrid's limited cooperation to date has restricted the Receiver's current knowledge of the Receivership Entities or LaMadrid's explanation for any of the historical transactions being investigated by the Receiver. LaMadrid's counsel has suggested that LaMadrid would likely assert

[1] Heisey v. Plus Money, Inc., et al., San Diego Superior Court Case No. 37-2008-00081169-CU-SL-CTL (the "State Court Case").

his Fifth Amendment privilege[2] in the event that the Receiver seeks any formal discovery from LaMadrid. (del Castillo Decl. ¶ 6, Ex. E.) As a result, the Receiver anticipates that any additional Receivership Entity documents or records will have to be obtained from other parties and reassembled into a coherent record without LaMadrid's assistance or cooperation. This will necessarily complicate and increase the costs of the Receiver's efforts, as LaMadrid is likely the only party with a working knowledge of the source and use of Receivership Assets.

5. Documents Obtained From Gaines & Welsh Financial Services.

On July 11, 2008, the Receiver served a document subpoena upon Gaines & Welsh Financial Services ("Gaines & Welsh"), a financial services firm that had prepared certain tax documents for the Receivership Entities at the behest of LaMadrid. The Receiver requested copies of all documents and materials, including, but not limited to, financial statements, accounting materials, tax returns and schedules, and electronic materials referring or relating to the Receivership Entities. Gaines & Welsh made an initial production of documents containing tax returns and associated materials on July 9, 2008, and a supplemental production on July 29, 2008.

6. Receivership Entity Mail Recovery.

Immediately upon his appointment, the Receiver contacted the United States Postal Service to request that all mail addressed to the Receivership Entities be forwarded to him. The Postal Service has complied with his request, and is now forwarding Receivership Entity mail directly to the Receiver.

The Receiver also learned from the United States Postal Service of an entity called Commercial Mail Receiving Agency ("CMRA") located in El Cajon, California that is owned and operated by Mr. Ken Kaghazchi. The Receiver made demand on CMRA that all mail received by the CMRA addressed to any Receivership Entity be forwarded to the Receiver. As of this date,

[2] As the Receiver notes in his Opposition to LaMadrid's Stay Motion, an individual defendant is not permitted to invoke his Fifth Amendment privilege with respect to the records of a collective entity, such as a corporation. See In re Grand Jury Subpoena, 383 F.3d 905, 910 n.1 (9th Cir. 2004) (citing Wilson v. United States, 221 U.S. 361, 380 (1911). Therefore, the production of Receivership Entity documents, computers, and other materials containing historical statements therefore should not implicate LaMadrid's right against self-incrimination.

the CMRA has failed to comply and no Receivership Entity mail has yet been recovered from this source.

III. INVENTORY OF RECEIVERSHIP ASSETS.

A. Frozen Bank Accounts.

The Appointment Order froze the following accounts believed to contain Receivership Assets:

Institution	Account holder	Account # (last 4 digits)
Bank of America	Matthew LaMadrid, dba Vision Quest Investments	xx9593
California Bank & Trust	Matthew LaMadrid	xx6026
Charles Schwab & Co.	The Premium Return Fund I	xx0141
Charles Schwab & Co.	The Premium Return Fund II	xx7535
Charles Schwab & Co.	The Premium Return Fund III	xx2121
Charles Schwab & Co.	Matthew Eric LaMadrid	xx1748
Charles Schwab & Co.	Matthew Eric LaMadrid	xx6563
Charles Schwab & Co.	Matthew Eric LaMadrid	xx3398
Huntington National Bank	Palladium Holding Company	xx0645
Huntington National Bank	Palladium Holding Company	xx1167
Huntington National Bank	Donald Lopez	xx7895
EKN Financial Services	Palladium Holding Company	xx5861

The Receiver provided each of the above financial institutions with a certified copy of the Appointment Order, followed by a request that the financial institutions turn over to the Receiver any and all funds held in the name of (or controlled by) the Receivership Entities. In response, two of these financial institutions turned over a total of $64,816.80 to the Receiver. In addition, another institution turned over $61,805.12 held in the name of Palladium and Lopez.

Following the turnover of funds, the Receiver served document subpoenas upon many of the above financial institutions in an effort to recover additional materials documenting the financial activities of the Receivership Entities. These subpoenas are outstanding, and as of the date of this Report, no additional documents have yet been produced. Nonetheless, the Receiver expects that further materials will be received that will assist in reconstructing the Receivership Entities' history and financial activities.

B. Assets of the Individual Defendants.

The Defendants and Relief Defendants were required by the terms of the Appointment Order to file detailed and complete schedules of their assets, including all real and personal property exceeding $5,000 in value, and all bank, securities, futures, and other accounts, identified by institution, branch address, and account number. The accountings were to include a description of the source(s) of all such assets. As of this date, LaMadrid has not provided such an accounting, and indeed has recently delivered a letter to the Court requesting a clarification of the Appointment Order or an exemption from this requirement in connection with his apparent decision to exercise his Fifth Amendment right against self-incrimination. (del Castillo Decl. ¶ 7, Ex. F.) LaMadrid has not provided the Receiver with sufficient documentation to enable him to provide the Court with an accounting of Plus Money, Inc.'s assets, other than as presented in connection with the Initial Forensic Accountant's Report.

C. Prospective Recovery of $10 Million In Assets From Palladium and Lopez.

Shortly after his appointment, the Receiver entered into discussions with the Commission and counsel for Relief Defendants Palladium Holding Company ("Palladium") and Donald Lopez ("Lopez") in connection with the Commission's allegation in the SEC Complaint that Palladium and Lopez had been the recipients of a $10 million transfer of Receivership Assets. As a result of these discussions, the Commission, the Receiver, Palladium, and Lopez have negotiated the terms of a settlement agreement, subject to Court approval, whereby Palladium and Lopez will disgorge to the Receiver $10 million[3], the Commission will dismiss its prayer for relief against Palladium and Lopez in the above-captioned matter, and the Receiver, on behalf of the Receivership Entities, will dismiss the Receivership Entities' claims against Palladium and Lopez in a case pending in the United States District Court for the Southern District of California (La Madrid, dba Vision Quest Investments, a sole proprietorship; Premium Return Fund Limited Liability Limited Partnership,

[3] The anticipated settlement agreement contains no admissions of wrongdoing on the part of Palladium or Lopez.

LLLP, a Nevada Domestic Limited Partnership; Premium Return Fund II Limited Liability Limited Partnership, LLLP, a Nevada Domestic Limited Partnership; Premium Return Fund III Limited Liability Limited Partnership, LLLP, a Nevada Domestic Limited Partnership; Plus Money, Inc., a Nevada Domestic Corporation v. Heriberto Lopez Perales, an individual; Donald E. Lopez, an individual; Hreidar Bjornsson, and individual; Maarten Van Leenen, an individual; H&W Price Less, Inc., a Texas Corporation; Palladium Holding Company, a Colorado Corporation; and Does 1-50, Case No. 08-cv-0823) (the "Parallel Case").

Although the contemplated settlement agreement has not been finalized or approved by the Court as of the date of this Report, the Commission, the Receiver, Palladium, and Lopez entered into a Stipulation and Request for Order to Amend Preliminary Injunction, filed with the Court on July 17, 2008, in order to modify the Appointment Order so as to allow Palladium and Lopez to make the described $10 million disgorgement to the Receiver. As of the date of this Report, a total of $61,805.12 has been received by the Receiver from Palladium and/or Lopez. The Receiver has been advised by Palladium's and Lopez's counsel that he should receive the balance of the subject $10 million shortly. The settling parties anticipate submitting a finalized settlement agreement to the Court for approval soon thereafter.

IV. FINANCES AND BUSINESS OPERATIONS OF THE RECEIVERSHIP ENTITIES.

The Receiver's forensic accountant, James T. Schaefer, has performed an initial analysis of the Receivership Entity documents and records obtained to date, and has prepared an Initial Forensic Accountant's Report outlining his tentative conclusions regarding the financial condition and business of the Receivership Entities. (Schaefer Decl. ¶ 2, Ex. A.) The Initial Forensic Accountant's Report, and the present recommendations of the Receiver, are based upon the following:

A. Receivership Entity Business.

The SEC Complaint alleges that LaMadrid solicited investors to invest in the Receivership Entities, which, he represented, were engaged in covered call option trading. The Receiver has recovered some PowerPoint presentations likely used in connection with the solicitation of investments in the Receivership Entities, along with a number of monthly statements suggesting that the Receivership Entities conducted some securities trading. In addition, the Receiver has obtained a number of Excel spreadsheets that purport to represent allocation of trading profits and corresponding returns to investors; however, no documentation directly confirming the identified returns has been obtained. As noted throughout this Report, the Receiver's document recovery efforts are incomplete and ongoing.

B. Document Review and Analysis.

The documents and records obtained to date have been organized, reviewed, and correlated by the Receiver's forensic accountant in order to better understand and document: (1) the structure the Receivership Entities and the inflows and outflows of funds within and between the Receivership Entities; (2) the business, if any, conducted by the Receivership Entities; (3) those persons or entities who may be in possession of Receivership Entity documents, records, or assets; and (4) any gaps in the record and additional recommended analytical steps.

The Receiver has recovered over 650 monthly bank and brokerage statements (including duplicates) for the Receivership Entities. These statements provided inadequate details regarding transactions identified (e.g., only a portion of the actual deposit slips, checks, wire transfer documents, cashier's checks, etc. underlying the subject transfers have been recovered.) As a result, the conclusions expressed in the Initial Forensic Accountant's Report are preliminary and may change based upon the recovery of additional information.

Based upon a review of the documents and records currently possessed by the Receiver, it appears that investors in the Receivership Entities contributed funds to the various Return Fund entities, which entities then invested in a 99% limited partnership interest in the Premium Return Fund Entities, which were themselves controlled by Defendants LaMadrid and Plus Money, Inc.

Potentially as a result of Plus Money, Inc.'s and LaMadrid's generalized control of the Receivership Entities, and as suggested in documents recovered from Gaines & Welsh[4], it appears that there was significant commingling of assets among the Receivership Entities, and that a

[4] A letter from Gaines & Welsh dated September 18, 2007 and recovered from the FBI indicates that Gaines & Welsh, while serving as a tax preparer for many of the Receivership Entities, was "unable to make the books balance," and that Gaines & Welsh was informed by LaMadrid that investor funds could not be properly tracked because there had been no accounting performed by the Receivership Entities. (Schaefer Decl. ¶ 2, Ex. A.)

complete accounting of investor funds or Receivership Entity assets will be time-consuming and laborious.

The financial documents produced by Gaines & Welsh do provide some insight into the financial activity of the Receivership Entities, and seem to indicate that funds in excess of $9 million were transferred from the Receivership Entities to Vision Quest Investments, a dba of LaMadrid. (Schaefer Decl. ¶ 2, Ex. A.) In addition, Gaines & Welsh appears to have used a "plug" (generally used to describe a figure needed to balance an account which is wholly unknown in origin or otherwise unsubstantiated) of $12 million, occasionally characterized as "loans" to Defendant Plus Money, Inc., to balance the Receivership Entities' accounts. (Id.) To date, the Receiver has not recovered any documents that confirm that the Receivership Entities entered into any loan transactions with Vision Quest Investments or any other entity, save the occasional characterization of the $12 million in "plugs" as loans to Plus Money, Inc.

C. Initial Impressions of the Business of the Receivership Entities.

The documents obtained to date create the impression that:

- The Receivership Entities kept no reliable accounting of reported profits and losses arising in connection with their call option trading or other activities;
- Distributions to investors may have been made from funds recovered by later investors;
- There was significant commingling of assets among the Receivership Entities;
- The Receivership Entities' accounts were out of balance at least in the amount of $12 million, as reflected by Gaines & Welsh's use of the term "plug" in their accounting; and
- Funds in excess of $9 million were transferred from the Receivership Entities to Vision Quest Investments, a dba of LaMadrid.

Because the Receiver's investigation and document recovery efforts are ongoing, the conclusions presented are tentative, and may require modification after further investigation and consideration.

V. PENDING LITIGATION AND RELATED PROCEEDINGS

At the time of the Receiver's appointment, the following litigation was pending involving the Defendants and/or Relief Defendants:

Melanie Heisey, et al. v. Plus Money, Inc. et al., San Diego Superior Court Case No. 37-2008-00081169 – Action filed April 1, 2008 for breach of contract, sale of unregistered securities, misrepresentation and other claims. A Notice of Pending Receivership Case and Appointment of Permanent Receiver was filed on May 23, 2008, staying this action.

La Madrid, dba Vision Quest Investments, a sole proprietorship; Premium Return Fund Limited Liability Limited Partnership, LLLP, a Nevada Domestic Limited Partnership; Premium Return Fund II Limited Liability Limited Partnership, LLLP, a Nevada Domestic Limited Partnership; Premium Return Fund III Limited Liability Limited Partnership, LLLP, a Nevada Domestic Limited Partnership; Plus Money, Inc., a Nevada Domestic Corporation v. Heriberto Lopez Perales, an individual; Donald E. Lopez, an individual; Hreidar Bjornsson, and individual; Maarten Van Leenen, an individual; H&W Price Less, Inc., a Texas Corporation; Palladium Holding Company, a Colorado Corporation; and Does 1-50, United States District Court, Southern District of California Case No. 08-cv-0823 (BEN) POR – Action filed for violations of the Racketeer Influenced and Corrupt Organizations Act, declaratory relief, breach of contract, constructive trust, money had and received, conversion, fraudulent transfer, fraud, theft, and negligence. Pursuant to his appointment, the Receiver now has exclusive control and authority over the claims of the Receivership Entities in this case.

VI. INDIVIDUALS AND ENTITIES OF INTEREST.

The Receiver and his professionals have compiled a list of individuals and entities who may be in possession of Receivership Entity documents or records, Receivership Assets, or both. Although the Receiver's information is incomplete, the following partial list identifies individuals and entities who have some relationship to this case, or may be in possession of information, documents, or assets directly related to this case:

Matthew LaMadrid ("LaMadrid")	Defendant in this action and the State Court Case, and Plaintiff in the Parallel Case. President and Treasurer of Plus Money, Inc. who controlled Plus Money, Inc., and through it, The Premium Return Fund Limited-Liability Limited Partnership, The Premium Return Fund II Limited-Liability Limited Partnership, The Premium Return Fund III Limited-Liability Limited Partnership, Return Fund, LLC, Return Fund II, LLC, Return Fund III, LLC, Return Fund IV, LLC, Return Fund V, LLC, Return Fund VI, LLC (collectively, the "Fund Entities").
Plus Money, Inc.	Defendant in this action and the State Court Case, and Plaintiff in the Parallel Case. A Nevada corporation and general partner for each of the Fund Entities.
The Premium Return Fund Limited-Liability Limited Partnership	Relief Defendant in this action, Defendant in the State Court Case, and Plaintiff in the Parallel Case. A Nevada-based limited partnership formed in August 2004, and controlled by its general partner, Plus Money, Inc. As alleged in the SEC Complaint, The Premium Return Fund Limited-Liability Limited Partnership raised at least $6.2 million from investors.
The Premium Return Fund II Limited-Liability Limited Partnership	Relief Defendant in this action, Defendant in the State Court Case, and Plaintiff in the Parallel Case. A Nevada-based limited partnership formed in June 2005, and controlled by its general partner, Plus Money, Inc. As alleged in the SEC Complaint, The Premium Return Fund II Limited-Liability Limited Partnership raised at least $7.5 million from investors.
The Premium Return Fund III Limited-Liability Limited Partnership	Relief Defendant in this action, Defendant in the State Court Case, and Plaintiff in the Parallel Case. A Nevada-based limited partnership formed in February 2006, and controlled by its general partner, Plus Money, Inc. As alleged in the SEC Complaint, The Premium Return Fund III Limited-Liability Limited Partnership raised at least $12.7 million from investors.
Return Fund, LLC	Relief Defendant in this action, Defendant in the State Court Case, and Plaintiff in the Parallel Case. A Nevada-based limited liability company formed in June 2004, and managed by Plus Money, Inc. Investors in the Receivership

	Entities contributed funds to the various Return Funds, which entities then invested in a 99% limited partnership interest in the Premium Return Funds, which were themselves controlled by Defendant Plus Money, Inc.
Return Fund II, LLC	Relief Defendant in this action, Defendant in the State Court Case, and Plaintiff in the Parallel Case. A Nevada-based limited liability company formed in June 2005, and managed by Plus Money, Inc. Investors in the Receivership Entities contributed funds to the various Return Funds, which entities then invested in a 99% limited partnership interest in the Premium Return Funds, which were themselves controlled by Defendant Plus Money, Inc.
Return Fund III, LLC	Relief Defendant in this action, Defendant in the State Court Case, and Plaintiff in the Parallel Case. A Nevada-based limited liability company formed in February 2006, and managed by Plus Money, Inc. Investors in the Receivership Entities contributed funds to the various Return Funds, which entities then invested in a 99% limited partnership interest in the Premium Return Funds, which were themselves controlled by Defendant Plus Money, Inc.
Return Fund IV, LLC	Relief Defendant in this action, Defendant in the State Court Case, and Plaintiff in the Parallel Case. A Nevada-based limited liability company formed in June 2006, and managed by Plus Money, Inc. Investors in the Receivership Entities contributed funds to the various Return Funds, which entities then invested in a 99% limited partnership interest in the Premium Return Funds, which were themselves controlled by Defendant Plus Money, Inc.
Return Fund V, LLC	Relief Defendant in this action, Defendant in the State Court Case, and Plaintiff in the Parallel Case. A Nevada-based limited liability company formed in June 2006, and managed by Plus Money, Inc. Investors in the Receivership Entities contributed funds to the various Return Funds, which entities then invested in a 99% limited partnership interest in the Premium Return Funds, which were themselves controlled by Defendant Plus Money, Inc.
Return Fund VI, LLC	Relief Defendant in this action, Defendant in the

	State Court Case, and Plaintiff in the Parallel Case. A Nevada-based limited liability company formed in June 2006, and managed by Plus Money, Inc. Investors in the Receivership Entities contributed funds to the various Return Funds, which entities then invested in a 99% limited partnership interest in the Premium Return Funds, which were themselves controlled by Defendant Plus Money, Inc.
Palladium Holding Company	Relief Defendant in this action and Defendant in the Parallel Case. A Colorado corporation alleged in the SEC Complaint to have received a wire of $10 million in Receivership Assets on November 14, 2007.
Donald E. Lopez	Relief Defendant in this action and Defendant in the Parallel Case. Palladium's sole director.
Vision Quest Investments	A dba of LaMadrid and Plaintiff in the Parallel Case. As alleged therein, LaMadrid, through his dba, Vision Quest Investments, transferred $10 million in Receivership Assets to certain Defendants in the Parallel Case. Documents obtained by the Receiver suggest that funds in excess of $9 million were transferred from the Receivership Entities to Vision Quest Investments.
Heriberto Lopez Perales	President of H&W Priceless, Inc. and Defendant in the Parallel Case. Alleged to have requested a transfer of $10 million in Receivership Assets.
H&W Priceless, Inc.	Defendant in the Parallel Case. A Texas corporation alleged to have requested or participated in a transfer of $10 million in Receivership Assets.
Hreidar Bjornsson	Defendant in the Parallel Case. Alleged in the Parallel Case to be an owner and/or director of New Viking, Inc., and entity alleged to have received a transfer of $10 million in Receivership Assets.
Maarten Van Leenen	Defendant in the Parallel Case. Alleged in the Parallel Case to be an owner and/or director of New Viking, Inc., and entity alleged to have received a transfer of $10 million in Receivership Assets.
New Viking, Inc.	Defendant in the Parallel Case. A Delaware corporation alleged to have received a transfer of

	$10 million in Receivership Assets through LaMadrid or Vision Quest Investments.
Melanie Heisey	Plaintiff in the State Court Case alleged to have invested in one or more Receivership Entities.
Megan West	Plaintiff in the State Court Case alleged to have invested in one or more Receivership Entities.
Chris Kumlin	Plaintiff in the State Court Case alleged to have invested in one or more Receivership Entities.
Randy Kuehne	Plaintiff in the State Court Case alleged to have invested in one or more Receivership Entities.
Rodolfo Mora	Plaintiff in the State Court Case alleged to have invested in one or more Receivership Entities.
Joseph Goodman	Plaintiff in the State Court Case alleged to have invested in one or more Receivership Entities.
Jonathan Benedict	Plaintiff in the State Court Case alleged to have invested in one or more Receivership Entities.
Edward Moreno	Plaintiff in the State Court Case alleged to have invested in one or more Receivership Entities.
Douglas Russell	Plaintiff in the State Court Case alleged to have invested in one or more Receivership Entities.
Cynthia Russell	Plaintiff in the State Court Case alleged to have invested in one or more Receivership Entities.
Lance LaMadrid	Defendant in the State Court Case and brother to LaMadrid alleged to have been an employee of Plus Money, Inc. and principal of the Receivership Entities.
Eric Montiel	Defendant in the State Court Case and alleged to have been an employee of Plus Money, Inc. and principal of the Receivership Entities.
Richard Kassler	Defendant in the State Court Case and alleged to have been an employee of Plus Money, Inc. and principal of the Receivership Entities.

In addition, a number of alleged investors in the Receivership Entities have provided the Receiver with unsolicited information regarding individuals and entities who may bear some relationship to this case, including other business ventures allegedly overseen or managed by LaMadrid or associated individuals. The Receiver has not obtained any documentation that confirms these alleged relationships and further investigation may be warranted. These individuals and entities of interest include: Eduardo Alcaraz, Eric Anderson, Kevin Fallis, James Hyatt, Steven Jones, Ron Jones, Penne LaMadrid, Michael Mauricio, Edgar Pacheco, Moises Pacheco, Southland Title Company, and E & M Property Management, All States ATM, Inc, Ken Kaghazchi, and myniteshift.com.

VII. CREDITORS AND CLAIM AMOUNTS.

At this state of his investigation, the Receiver is unable to identify all investors and creditors of the Receivership Entities or to determine their alleged respective claims. Specifically, a reliable investor database has not yet been discovered, analyzed, or created. As a result, the Receiver defers to a subsequent report any discussion of creditors, claim amounts, and a claims process or plan for distribution. The Receiver is in the process of modifying his website, www.fedreceiver.com, in order to enable investors and/or creditors to register with the site, thereby providing an additional source of information to develop an investor/creditor list.

VIII. RECOMMENDED FURTHER INVESTIGATION AND ACTIVITIES.

The Receiver's efforts to recover relevant Receivership Entity documents and records are ongoing, and the materials obtained to date do not provide a complete understanding of the Receivership Entities' history and financial activities, or the location and amounts of remaining Receivership Assets. In part, the Receiver's document recovery efforts have been hampered by LaMadrid's failure to provide original documents or explanations, and his failure to provide the Court with an accounting of his assets, as required by the Appointment Order. In addition, neither LaMadrid nor the Receivership Entities appear to have kept regular, coherent, or comprehensive financial records.

A lack of direct access to the individual likely to be the greatest source of information on the Receivership Entities requires that the Receiver and his professionals assemble a collection of relevant materials – and thereby develop a complete understanding – from a variety of third party sources. Nonetheless, the Receiver is confident that such an assembly is possible, and that an appropriate and thorough documentation of the Receivership Entities' history and financial activities, their assets, and likely investor and creditor claims will be developed.

In the near term, the Receiver and his professionals make the following recommendations in connection with their efforts to better understand and document the financial condition and activities of the Receivership Entities:

A. Continue Document Recovery Efforts.

The Receiver's document recovery efforts are incomplete. As an example, an analysis by LECG of the Receivership Entity computers recovered by the FBI indicates that none of the computers contained an accounting system or other accounting information for the Receivership Entities. However, the analysis did indicate that a minimum of four Receivership Entity computers remain unrecovered (and were not seized by the FBI). (Kopelev Decl. ¶¶ 5-11.)

The Receiver has served document subpoenas upon numerous financial institutions believed to have held Receivership Assets, in an effort to better document the Receivership Entities' history and financial activities. The supplemental document production from Gaines & Welsh is currently being reviewed. The Receiver further intends to serve document subpoenas upon additional third parties believed to be in possession of Receivership Entity documents or assets, including upon some individuals and entities identified in Section VI above. In addition, the Receiver reserves the right to depose any individual or entity believed to possess information relevant to his charge, as defined by the Appointment Order.

B. Continue Receivership Asset Recovery Efforts.

As noted, the Receiver has negotiated the terms of a settlement agreement with the Commission, Palladium, and Lopez, subject to Court approval, which should result in a net return of $10 million in Receivership Assets to the Receiver.

As significant a step as this potential settlement represents, the investigation performed to date by the Receiver's forensic accountant suggests that a total in excess of $34 million in the aggregate was invested in the Receivership Entities, and that a minimum of $12 million of the investments remain unaccounted for. The $10 million recovery anticipated in connection with the Receiver's potential settlement with the Commission, Palladium, and Lopez represents nearly 30% of this amount.

As additional documentary evidence is acquired, it may be possible to better identify the location of outstanding or currently unaccounted for Receivership Assets. Once located, the Receiver will proceed with recovery efforts, including the initiation of claims against third parties in possession of Receivership Assets.

C. Maintain and Expand Lists of Individuals and Entities of Interest.

Investors in the Receivership Entities have provided the Receiver with unsolicited information regarding additional business ventures allegedly overseen or managed by LaMadrid or other affiliated individuals or entities. A complete and evolving database relating to these individuals and entities could prove an invaluable tool in uncovering and accounting for additional Receivership Assets.

IX. CONCLUSION.

Based on the Receiver's preliminary investigation and findings as described above, the Receiver recommends and requests that the Court order that the receivership continue pursuant to the Appointment Order and any supplemental orders issued by the Court. The Receiver requests that the Court approve his continuing investigation and this Interim Report. The Receiver will file another report updating the Court of further findings in approximately 90 days, pursuant to the Order in Aid of Receivership.

The Receiver and his professionals have worked without compensation since the inception of this case. The Receiver contemplates filing the first set of applications for interim compensation on or about September 15, 2008, as authorized by the Appointment Order and Order in Aid of Receivership.

Dated: July 30, 2008

By: /s/ David L. Osias
DAVID L. OSIAS
ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP
Attorneys for Receiver
Stephen J. Donell

VERIFICATION

I have read the foregoing FIRST INTERIM REPORT OF RECEIVER, STEPHEN J. DONELL, AND PETITION FOR INSTRUCTIONS and know its contents.

I am the Receiver appointed in this action. The matters stated in the foregoing document are true of my own knowledge.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on July 30, 2008, at Los Angeles, California.

Stephen J. Donell

PROOF OF SERVICE

I am employed in the County of San Diego, State of California. I am over the age of 18 and not a party to the within action. My business address is 501 West Broadway, 15th Floor, San Diego, California 92101-3541.

On July 30, 2008, the foregoing document (with accompanying declarations referenced on the face page) was served via NEF notice to the following parties who are registered ECF filers in this case:

Attorney for SEC	Peter Del Greco, Esq. John M. McCoy III, Esq. U.S. Securities and Exchange Commission 5670 Wilshire Boulevard, 11th Floor Los Angeles, CA 90036
Receiver	Mr. Stephen J. Donell Jalmar Properties, Inc. 12121 Wilshire Boulevard, Suite 301 Los Angeles, CA 90025
Attorney for Defendant Matthew La Madrid	Joseph N. Casas, Esq. Casas Law Group, P.C. 2323 Broadway, Suite 202 San Diego, CA 92102
Attorney for Palladium and Lopez	Robert J. Liskey, Esq. Tyler & Wilson 5455 Wilshire Boulevard, Suite 1925 Los Angeles, CA 90036

In addition, a copy of said documents was served on the following by placing a true copy thereof in sealed envelope(s) addressed as stated below and depositing in the U.S. Mail at San Diego, California:

Anthony L. Leffert, Esq.
Robinson Waters & D'Orisio
1099 18th Street #2600
Denver, CO 80202-1926

I am readily familiar with this firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. Postal Service on that same day in the ordinary course of business. I am aware that on motion of party served, service is presumed invalid if postal cancellation date or postage meter date is more than 1 day after date of deposit for mailing in affidavit.

I declare under penalty of perjury that I am employed in the office of a member of the bar of this Court at whose direction the service was made and that the foregoing is true and correct.

Executed on July 30, 2008, at San Diego, California.

Catherine A. Schiaffo
(Type or print name)

(Signature)